

KENTUCKY DEPARTMENT OF EDUCATION

GASB 34 CAPITAL ASSET GUIDE (FAI-16)

May 2003

CAPITAL ASSET DEFINITIONS AND GUIDELINES.....	3
KDE FIXED ASSET CODES	4
CAPITAL ASSET ACQUISITION COST.....	5
IMPROVEMENTS VS. MAINTENANCE	5
DEPRECIATION METHODOLOGY	6
CAPITAL ASSET CATEGORIES	6
LAND	6
LAND IMPROVEMENT.....	7
INFRASTRUCTURE.....	8
BUILDINGS.....	8
PORTABLE BUILDINGS	8
BUILDING IMPROVEMENT	9
CARPET/TILE REPLACEMENT	10
TECHNOLOGY	11
KETS TECHNOLOGY EQUIPMENT	11
NON-KETS TECHNOLOGY EQUIPMENT	11
COPIERS	11
COMPUTER SOFTWARE	12
VEHICLES.....	12
SCHOOL BUSES	12
OTHER VEHICLES.....	12
GENERAL EQUIPMENT	12
ROLLING STOCK	12
FURNITURE & FIXTURES	13
AUDIO-VISUAL EQUIPMENT	13
OTHER.....	13
CONSTRUCTION IN PROGRESS.....	13
OTHER CAPITAL ASSET ISSUES.....	14
LEASED EQUIPMENT AND IMPROVEMENTS	14
CAPITAL ASSET DONATIONS	14
DISPOSAL OR SALE OF A CAPITAL ASSET.....	15
APPENDIX A.....	19
KDE STANDARD FIXED ASSET DEPARTMENT (FUNCTION) CODES.....	19
APPENDIX B	20
KDE FIXED ASSETS & GASB 34-GENERAL LEDGER IMPLICATION	20
APPENDIX C	21
KDE FIXED ASSETS & GASB 34-GENERAL LEDGER VERIFICATION CODES	21

KDE Capital Asset Guide

Introduction

The Department of Education has prepared this Capital Asset Guide to help you implement the new reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements and Management's Discussion*. The challenge for local school districts will be the recording and reporting of capital assets. Included in this guide are asset category definitions, capitalization thresholds, and depreciation methodologies with examples of expenditures for certain assets. Additionally, guidelines for improvements vs. maintenance, leasehold equipment and improvements, the sale of capital assets and the MUNIS journal entry impact of KDE/GASB 34 Fixed Asset transactions are included.

These guidelines are provided as a base document for districts in developing and adopting a capitalization policy as determined by consultation with auditors. Districts face circumstances and materiality levels that may determine exceptions to KDE's thresholds. Exceptions in the district's capitalization policy guidelines should be noted in the school district's adopted capitalization policy for reporting purposes.

Capital Asset Definitions and Guidelines

For initial implementation purposes of GASB34:

Fixed Assets are all real or personal, stand-alone property that have an estimated life of greater than one year and an original cost equal to or greater than \$1,000. Technology is an exception to this rule: all workstations should be recorded as a fixed asset.

Upon initial GASB34 asset valuation:

KDE recommends that each District work with their Auditor to establish a capitalization threshold policy, based on materiality, for the following asset purchases, with an estimated life of greater than 1 year (all other categories of equipment will remain as initially defined):

- Land Improvements (suggested \$10,000- \$50,000).
- Building and Building Improvements (suggested \$10,000- \$50,000).
- Software (suggested \$5,000).
- Leasehold Improvements (suggested \$10,000- \$50,000).
- Infrastructure (5% of total assets).

Assets purchased, constructed or donated that meet or exceed the threshold must be uniformly classified, utilizing the KDE class code structure. Included in the KDE class code structure (below) are codes that should be used to

separately and specifically categorize components of assets to assist in tracking and reporting inventory. It is recommended that renovations and improvements be treated as separate assets and added to MUNIS with the corresponding sub-class code. For example, a sidewalk added to the existing property would be a new asset categorized as a land improvement (subclass code of 120). Carpet replacements, equal to over the capitalization threshold, could be created as a new asset with sub-class code 240.

KDE FIXED ASSET CODES

CLASS CODE	CLASS CODE DESCRIPTION	SUB-CLASS CODE	SUB-CLASS DESCRIPTION	ESTIMATED LIFE
10	LAND	110	LAND	999
		120	LAND IMPROVEMENTS	20
		130	INFRASTRUCTURE	20
20	BUILDINGS	210	BUILDINGS	50
		220	PORTABLE BUILDINGS	25
		230	BLDG. IMPROVEMENTS	25
		240	CARPET/TILE REPLACEMENT	7
30	TECHNOLOGY EQUIPMENT	310	KETS TECHNOLOGY	5
		320	NON-KETS TECH	5
		330	COPIERS	5
40	VEHICLES	410	SCHOOL BUSES	10
		420	OTHER VEHICLES	5
50	GENERAL	510	ROLLING STOCK	15
		520	FOOD SERVICE	12
		530	FURNITURE & FIXTURES	20
		540	AUDIO-VISUAL EQUIPMENT	15
		550	OTHER	10
60	CONSTRUCTION WORK IN PROGRESS	610	CONSTRUCTION WORK IN PROGRESS	999

Items purchased and capitalized in the current year will not be reported as current expenses on the GASB District -Wide Statement of Activities, but will be reported as depreciation expense, by function. To ensure that depreciation (cost of the asset) is properly reported by function, assignment of the KDE Fixed Asset Department (function) needs to properly reflect the direct expense or function of the asset.

Consequently, districts must establish policies and procedures to identify the KDE Fixed Asset Department code (**Appendix A**). The Fixed Asset Department code should reflect the direct expense or functionality of the assets at the time of purchase and capitalized and whenever changes are made to the assets assignment.

Verification of Asset Balances to the General Ledger

KDE recommends the verification of the fixed asset detail records to the General Ledger balances to ensure the integrity of data and accuracy of the assets reported in the GASB 34 Capital Asset Disclosure. District should verify and reconcile the asset data between the MUNIS Fixed Asset and General Ledger modules on a periodic basis to facilitate and expedite the year-end process of GASB 34 reporting. Validation of the two MUNIS modules should include the comparison of the asset balances and current year activity by fixed asset class/sub-class and department codes to the General Ledger org/object codes as identified in Appendix C.

Capital Asset Acquisition Cost

Capital assets should be recorded and reported at their historical costs. The historical cost of the asset should include all of the following:

- Invoice price (plus the value of any trade-in).
- Installation cost (excluding in-house labor).
- Modifications, attachments, accessories or apparatus necessary to make the asset usable.
- Ancillary charges necessary to place the asset in its intended location, such as freight, transportation charges, site preparation costs and professional fees.
- Capitalized interest of assets constructed or otherwise produced for an enterprise's own use (including assets constructed or produced for the enterprise by others for which deposits or progress payments have been made).

NOTE: If ancillary or incidental costs are not readily available, KDE recommends capitalizing the costs only from the purchase order/invoice

Improvements vs. Maintenance

Materiality, along with, the increase of the future service potential of the asset, as opposed to merely maintaining the existing level of service of the asset are factors that should be considered in determining the capitalization policy of improvements of district's assets.

Subsequent additions or improvements to existing assets should be included as part of the historical cost of the asset. Additions or improvements, unlike repairs, either increase a capital asset's capacity or function (effectiveness or efficiency) or extend a capital asset's expected useful life. Adding additional rooms to an office building would be capitalized and reinstallation or rearrangement of an office space to facilitate future service potential of the office would be capitalized.

Cost of repairs should **not** be included as part of the historical cost. Such expenditures only preserve the current capacity or functionality of the asset. Ordinary repairs are expenditures for maintaining current operating conditions and should be treated as an expense.

Major repairs could be considered as possible improvement and should be capitalized if such overhaul costs are benefiting several years (extending the useful life). A materiality level for major repairs should be considered and in establishing a district capitalization policy as determined with an auditor.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) must be used for all exhaustible assets. Inexhaustible assets, such as land, are not depreciable. Monthly, straight-line depreciation over the useful life of the asset must be used: starting with the first month of purchase. Depreciation functionality is provided within the MUNIS Fixed Asset Module and can be processed monthly or at the end of year, for all months, as determined by the district. Regardless of the selected number of depreciation periods that a district chooses to process at a time (monthly, quarterly or yearly), the MUNIS Fixed Asset Parameter field "Default Depreciation" should remain at option 2 for Monthly.

Capital Asset Categories

Land

Land is any improved or unimproved tract owned by the district including the cost of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use.

Depreciation Methodology

Land is inexhaustible and does not depreciate over time.

Capitalization Threshold

All acquisition of land will be capitalized.

Examples of Expenditures to be Capitalized

- Purchase price or fair market value at the time of the gift.
- Commissions.
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.).
- Land excavation, fill, grading, and drainage.
- Demolition of existing buildings and improvements (less salvage value).

- Removal, relocation, or reconstruction of property of others (railroad, telephone and power lines).
- Interest on mortgages accrued at the date of purchase.
- Accrued and unpaid taxes at the date of purchase.
- Other costs incurred in acquiring the land.
- Water wells (includes initial cost for drilling, the pump and its casing).
- Right-of-way.

Land Improvement

Land Improvement is any non-building improvement built, installed or established to make land ready, enhance the quality of, or facilitate the use of the land for its intended purpose. Land improvements can be categorized as inexhaustible and exhaustible.

Inexhaustible

Expenditures for improvements that do not require maintenance or replacement, expenditures to bring land into condition to commence assembly of structures, expenditures for improvements not identified with structures, and expenditures for land improvements that do not deteriorate with use or passage of time are additions to the cost of land and are generally inexhaustible and therefore not depreciable.

Exhaustible

Other improvements that are part of a site, such as parking lots, landscaping and fencing, are usually exhaustible and are therefore, depreciable.

Depreciation Methodology

The straight-line depreciation method (historical cost less residual value, divided by useful life) must be used for exhaustible type land improvements.

Capitalization Threshold

Recommended capitalization threshold for land improvements is \$10,000 to \$50,000. Each district should establish a capitalization threshold policy, based on materiality.

Examples of Expenditures to be Capitalized

- Fencing and gates.
- Landscaping.
- Parking lots/driveways/parking barriers.
- Outside sprinkler systems.
- Recreation areas and athletic fields (including bleachers).
- Golf courses.
- Paths and trails.
- Septic systems.
- Stadiums.

- Swimming pools, tennis courts, basketball courts.
- Fountains.
- Plazas and pavilions.
- Retaining walls.
- Play Ground Equipment.

Infrastructure

School districts will rarely have infrastructure assets. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are stationary, often linear and continuous in nature. They are components of a network or subsystem of similar type assets. For examples, rural roads could be a sub-system of a government's network of roads. Buildings, drives and parking lots that are incidental to a school's property or provide access to the property, are **not** infrastructure assets.

Depreciation Methodology

The straight-line depreciation method must be used for infrastructure.

Capitalization Threshold

Recommended capitalization threshold is 5% of total capital assets.

Examples of Expenditures to be Capitalized

- Highway and rest areas.
- Roads, streets, curbs gutters, sidewalks, fire hydrants.
- Bridges, railroads, trestles.
- Canals, waterways, wharf, docks, sea walls, bulkheads, boardwalks.
- Dam, drainage facility.
- Radio or television transmitting tower.
- Electric, water and gas (main lines and distribution lines, tunnels).
- Light system (traffic, outdoor, street, etc.).
- Airport runway/strip/taxiway/apron.

Buildings

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable.

Portable Buildings

Portable buildings purchased and intended not to be transportable or moveable should be placed within a specific category (sub-class code) for inventory tracking and reporting purposes.

Depreciation Methodology

The straight-line depreciation method must be used for buildings and their components.

Capitalization Threshold

Recommended capitalization threshold for building is \$10,000 to \$50,000. Each district should establish a capitalization threshold policy, based on materiality.

Examples of Expenditures to be Capitalized

- **PURCHASED BUILDINGS**
 - Original purchase price.
 - Expenses for remodeling, reconditioning or altering a purchased building to make it ready for use for the purpose for which it was acquired.
 - Environmental compliance (i.e., asbestos abatement).
 - Professional fees (legal, architect, inspections, title searches, etc.)
 - Payment of unpaid or accrued taxes on the building to date of purchase.
 - Cancellation or buyout of existing leases.
 - Other costs required to place or render the asset into operation.
- **CONSTRUCTED BUILDINGS**
 - Completed project costs.
 - Interest accrued during construction.
 - Cost of excavation or grading or filling of land for a specific building
 - Expenses incurred for the preparation of plans, specifications, blueprints, etc.
 - Cost of building permits.
 - Professional fees (architect, engineer, management fees for design and supervision, legal).
 - Costs of temporary buildings used during construction.
 - Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream.
 - Permanently attached fixtures or machinery that cannot be removed without impairing the use of the land.
 - Additions to buildings (expansions, extensions, or enlargements).

Building Improvement

Building Improvements are capital events to owned or leased property that materially extend the useful life, or increase the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if:

- The expenditure of the improvement is at the capitalization threshold.
- The expenditure increased the life or value of the building by 25% of the original life period or cost.
- Requires a BG-1 and the incurrence of bonded debt.

See Leased Equipment and Improvements section (below) for details related to the requirements of capitalized leases.

Carpet/Tile Replacement

Building and/or Leasehold Improvement type event of an original installation or upgrade of floor covering should be placed within a separate category (sub-class code) for inventory tracking and reporting purposes.

Depreciation Methodology

The straight-line depreciation method must be used for building improvements and their components.

Capitalization Threshold

Recommended capitalization threshold for building improvements is \$10,000 to \$50,000. Each district should establish a capitalization threshold policy, based on materiality.

Examples of Expenditures to be Capitalized

- Conversion of attics, basements, etc., to usable office, clinic, research or classroom space.
- Structures attached to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents.
- Original installation/upgrade of wall or ceiling covering such as carpeting, tiles, paneling, or parquet.
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing.
- Installation or upgrade of window or doorframe, upgrading of windows or doors, built-in closet and cabinets.
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Installation or upgrade of plumbing and electrical wiring.
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building).
- Other costs associated with the above improvements included in a BG-1.

Examples of Building Maintenance Expense

The following are examples of expenditures that may **not be capitalized** as improvements to buildings based on the materiality level established by the district. Items would be recorded as maintenance expense.

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building (NO BG-1).
- Improvement projects of minimal or no added life expectancy and/or value to the building.
- Plumbing or electrical repairs.
- Cleaning, pest extermination, or other periodic maintenance.
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper.
- Exterior decoration, such as awnings, uncovered porches, decorative fences, etc.
- Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of tile or panel sections; sink and fixture refinishing, etc.
- Maintenance-type exterior renovation such as repainting, repair of deteriorated siding, roof, or masonry sections.

Technology

Technology includes all technology equipment and tools used for education and administration. Technology equipment includes software, hardware, integrated network systems and multi-media devices. For KDE, components of Technology should be placed within a specific category (sub-class code) for inventory tracking and reporting purposes as defined below.

KETS Technology Equipment

All capitalized technology equipment and tools that fall under the KETS Master Plan.

NON-KETS Technology Equipment

All capitalized technology equipment and tools that do not fall under the KETS Master Plan.

Copiers

All copiers purchased or leased with the intention of capitalizing at the end of the terms of the lease contract. See Leased Equipment and Improvements (below) for details related to the requirements of capitalized leases.

For Depreciation Methodology

The straight-line depreciation method must be used for technology

Capitalization Threshold

The capitalization threshold for technology equipment is \$1,000 with the exception of workstations. All workstations are to be capitalized regardless of cost. A workstation is the CPU. The cost of the monitor, mouse, keypad and freight and installation can be included but is not required.

Computer Software

Recommended capitalization of computer software/license fees is \$5,000, if the total dollar amount of the fee divided by the number of units served (terminals) meets the criteria to capitalize the purchase. A district capitalization policy for software should be determined with an auditor and classified as KETS or NOT-KETS as determined applicable.

Vehicles

Vehicles are all road worthy and licensed types sources of transportation used for transportation. For KDE, components of vehicles should be placed within a specific category (sub-class code) for inventory tracking and reporting purposes as defined below.

School Buses

Buses purchased for the transportation of students.

Other Vehicles

Any road worthy car, truck, and van purchased for administrative and educational purposes.

Depreciation Methodology

The straight-line depreciation method must be used for vehicles.

Capitalization Threshold

Recommended capitalization threshold for vehicles is \$5,000. Each district should establish a capitalization threshold policy, based on materiality

General Equipment

All stand alone, fixed or movable personal property to be used for education or administrative use that does not fall under any other asset classifications should be classified as General Equipment. For KDE, general equipments should be placed in a specific category (sub-class code) for inventory tracking and reporting purposes.

Rolling Stock

All non-licensed equipment with wheels, such as lawnmowers, tractors, etc. used for maintenance and administrative purposes. Improvements or addition to existing property that constitute a capital outlay or increase the value or life should be capitalized as betterment.

Note: Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.

Furniture & Fixtures

Stand alone items used for school, or office use.

Audio-Visual Equipment

Equipment such as TVs, VCRs, and digital cameras.

Other

All assets that do not fall under all of other specifically defined categories of assets.

Depreciation Methodology

The straight-line depreciation method must be used for general equipment.

Capitalization Threshold

The capitalization threshold for most equipment is \$1,000. All CPU units are to be capitalized regardless of cost. Bulk purchases of equipment could also be capitalized. The recommended capitalization threshold for bulk purchases is \$20,000 to \$50,000. Each district should establish a capitalization threshold policy, based on materiality.

Examples of Expenditures to be Capitalized

- Original contract or invoice price.
- Freight charges.
- Import duties.
- Handling and storage charges.
- In-transit insurance charges.
- Sales, use, and other taxes, if imposed on the acquisition.
- Installation charges.
- Charges for testing and preparation for use.
- Costs of reconditioning used items when purchased.
- Parts and labor associated with the construction of equipment.

NOTE: KDE recommends that ancillary or incidental costs (not readily available) should not be included. KDE recommends capitalizing the costs only from the purchase order/invoice, if agreed upon by the auditor.

Construction in Progress

Construction in Progress reflects the economic construction activity status of buildings and other structures, infrastructure (highways, energy distribution

systems, pipelines, etc.) additions, alterations, reconstruction, installation, maintenance, and repairs that are substantially incomplete.

Depreciation Methodology

Depreciation is not applicable while assets are accounted for as Construction in Progress. See appropriate capital asset category when asset is capitalized and manually update each asset record flag within MUNIS to *N* for Depreciation (2nd screen).

Capitalization Threshold

Construction in Progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service.

Other Capital Asset Issues

Leased Equipment and Improvements

Most leased equipment or improvements to leased property should be capitalized. Assets that revert to the district at the end of the lease should be capitalized. Assets that revert to the **vendor** at the end of the lease should **NOT** be capitalized.

Lease agreement terms that meet the capitalization criteria

- The lease transfers ownership of the property to the lessee (district) by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executor costs, equals at least 90 percent of the fair value of the leased property.

Leases that do not meet any of the above requirements should be recorded as an operating lease and reported in the notes of the financial statements.

Capital Asset Donations

Donations are voluntary non-exchange transactions entered into willingly by two or more parties. A voluntary contribution of resources between funds is not a donation. For example, the transfer of the lunchroom and the related equipment to the School Food Service from the Construction Fund is not a donation.

Donations that meet the specific asset classification threshold should be capitalized and coded accordingly in MUNIS for reporting purposes. The value of donated items should be capitalized at the fair market value of the asset at the time the asset is received as a donation.

The district should identify donated assets created in MUNIS with a special Custodian Code or Condition Code as established. Currently, MUNIS provides the capability to produce reports on the Custodian Code and Condition Code fields. Reporting needs for asset activity related to donations will be needed for reporting and auditing purposes at year- end.

Disposal or Sale of a Capital Asset

The disposal or sale of an asset by a local school district requires the related accounting entries to occur within MUNIS to properly reflect a possible gain or loss in the GASB 34 District-Wide Financial Statements.

Regardless of whether an asset is disposed of by a retirement or an actual sale, the asset and the related depreciation balances are to be removed from the MUNIS Fixed Asset module by processing a “Retirement” type transaction. MUNIS will process accumulated depreciation up to the retirement transaction date and will then process a transaction to remove the amounts related to the asset from the fixed asset fund. The total original cost of the asset account will be credited and the total depreciation to date in the accumulated depreciation will be debited. Any remaining (non-depreciated) current book value of the asset needs to be applied to object code 1930 Gain/Loss on Sale of Assets. **Currently, MUNIS automatically applies the difference to the Investment in Assets, fund balance account 80-8710 or 8X-8711. MUNIS program changes are currently in progress to automatically apply the difference to 1930. Until such changes are received, manually update the object code 8710 or 8711 to 1930 for the Gain/Loss on Sale of Assets.**

Proceeds from the sale of assets are to be recorded as Gain/Loss on Sale or Exchange of Assets in the appropriate recipient fund through a Cash Receipts manual Journal Entry or Cash Receipts transaction in the Revenue and Billing Module. The total amount of the proceeds from the sale of assets will be reported in the GASB Governmental Funds Report.

The District-Wide Financial Statements, which do report capital assets, will report the retirement or removal of the related asset sold and the remaining (un-depreciated) current book value of the asset as a gain or loss. The GASB District-Wide Financial Statements will then net the Gain/Loss (object code 1930) of the cash reported in the GASB Governmental Funds report against the Gain/ Loss of Sale of Assets (object code 1930) in the Fixed Asset Governmental or Proprietary funds for the remaining current book value for a total “net gain/loss”.

Computation of Gain and Loss from Sale of Assets

The overall computation of a gain or loss as reported in the District-Wide Financial Statements, results from netting cash or proceeds (if received) against the asset's net value (if remaining) as follows:

Example:

Asset's Historic Cost	\$10,000	
Less Accumulated depreciation	<u>7,000</u>	
Asset Net Book Value		\$3,000 (loss)
Subtract Cash or Proceeds Received	<u>2,000 (gain)</u>	
Net Loss from Sale of Asset		\$1,000 (loss)

MUNIS Required Transactions for Disposal/Sale of Assets

Due to GASB 34 reporting requirements and differentiating factors associated with a gain/loss computation, the above example is used to specifically identify the transactions required in MUNIS to successfully meet the processing of a disposal of the sale of a Governmental Fixed Asset (fund 8) and classified as General Other (class code 50):

Sale of an asset (cash received and the asset is NOT fully depreciated):

1. MUNIS "Retirement" transaction within the Fixed Asset module *automatically* completes a transaction:

Accumulated Depreciation	80 6252	DR 7,000
*Investment in Assets	<u>80 8710</u>	
Gain/Loss on Sale of Assets	880 1930	DR 3,000
Asset	80 6251	CR
10,000		

- * Manually update the transaction for 80-8710 to 880-1930 for the Gain/Loss on Sale of Assets until MUNIS programming changes are received to automatically apply the difference to 1930**

2. A cash receipts transaction or *manual* Journal Entry is required to record the proceeds, if applicable, as follows:

Cash	10 6101	DR 2,000
Gain/Loss on Sale of Assets	110 1930	CR 2,000

- A Gain/Loss (object code 1930) is recorded in both funds and the Total Gain/Loss is netted together when reported on the District-

Wide Financial Statements as a Total Net Loss: \$3,000 less \$2,000 for a total of \$1,000.

Asset is disposed of or retired and NO cash received (asset is NOT fully depreciated):

1. MUNIS "Retirement" transaction within the Fixed Asset module *automatically* completes the following transaction:

Accumulated Depreciation	80 6252	DR 7,000
*Investment in Assets	80 8710	
Gain/Loss on Sale of Assets	880 1930	DR 3,000
Asset	80 6251	CR
10,000		

*** Manually update the transaction for 80-8710 to 880-1930 for the Gain/Loss on Sale of Assets, until MUNIS programming changes are received to automatically apply the difference to 1930.**

- A Loss is reported in the Fixed Asset Governmental Fund and the Total Net Loss is reported in the District-Wide Financial Statements as \$3,000.

Asset is disposed of and cash is received (asset is fully depreciated):

1. MUNIS "Retirement" transaction within the Fixed Asset module *automatically* completes the following transaction:

Accumulated Depreciation	80 6252	DR 10,000
Asset	80 6251	CR 10,000

2. A cash receipts transaction or *manual* Journal Entry is required to record the proceeds as follows:

Cash	10 6101	DR 2,000
Gain/Loss on Sale of Assets	110 1930	CR 2,000

- A Gain is reported in the General fund for the cash received and the Total Net Gain is reported on the District-Wide Financial Statements for \$2,000.

Asset is disposed of or retired and No cash received (asset is fully depreciated):

1. MUNIS "Retirement" transaction within the Fixed Asset module *automatically* completes the following transaction:

Accumulated Depreciation	80 6252	DR 10,000
Asset	80 6251	CR 10, 000

- Neither a gain nor a loss is reported because cash is not exchanged and the asset is fully depreciated.

APPENDIX A

KDE STANDARD FIXED ASSET DEPARTMENT (FUNCTION) CODES

The following guidelines are the minimum requirements for KDE *Standard* Fixed Asset Department codes to be utilized in the MUNIS Fixed Asset Module. (These codes are not to be confused with the department codes in other MUNIS modules.) The Fixed Asset Department codes correlate to the function of the assets and correspond to the major functional category to be reported on the GASB Financial Reports. Districts can track at a more detail level, if desired, but must be responsible for the necessary adjustments within MUNIS related to the department codes used outside of KDE's *Standard* Fixed Asset Department codes.

1100 Instructional

2100 Instructional Student Support Services

2200 Instructional Staff Support Services

2300 District Administrative

2400 School Administrative Support Services

2500 Business Support Services

2600 Plant Operations and Maintenance

2700 Student Transportation

2800 Central Office Support Services

3100 Food Services

3200 Day-Care ***

3300 Community Services Operations

3400 Adult Education***

Note: Each district should provide to the valuation team, a map identifying corresponding room number and department code for those buildings that have multiple functions, such as the central office. (The majority of assets in schools will fall under 1100 Instructional.) Complete department code information will require less modification of the data upon importing into MUNIS.

*** For GASB 34 statement reporting purposes, Day-Care and Adult Education assets should only be classified under 3200 and 3400, if their operations are to be reported as Proprietary, otherwise such assets should be classified as 3300 Community Services under Governmental Funds and identified as Day-Care or Adult Education with the custodian code.

APPENDIX B

KDE Fixed Assets & GASB 34-General Ledger Implication

The following grid details the MUNIS® journal activity for Fixed Assets:

MUNIS Transaction	Originating Fund For Gov't Assets	Government Asset (Fund 8)	Originating Fund For Propr Fund	Proprietary (Business)** Asset (Fund 81)
Asset Purchase POE & API JE'S	DR: Expense CR: AP - Cash	None	DR: Expense CR: AP - Cash	None
Asset Activation/Posting in MUNIS® FA Database FAA JE	None	DR: 80-62x1 Asset CR: 80-8710 Investment	None	DR: 81-62x1 Asset CR: 81-8711 Investment
Depreciation FAD JE	None	DR: 888XXXX-0740 Depreciation Exp. CR: 80-62x2 Acc. Depr.	None	DR: 0008101-0740 Depreciation Exp. CR: 81-62x2 Acc. Depr.
Cash Received for disposed item (If applicable) GCR or C/R JE	DR: XX-6101 Cash CR: XXX-1930 Gain	None	DR: XX-6101 Cash CR: XXX-1930 Gain	None
Asset Retirement FAR JE	See GCR or C/R	DR: 80-62x2 Acc. Depr. CR: 80-62x1 Asset DR: 880-1930 Loss (if not fully depreciated)	See GCR or C/R	DR: 81-62x2 Acc. Depr. CR: 81-62x1 Asset DR: 810-1930 Loss (if not fully depreciated)

* * Use the proper org codes for Day Care (82 and 0008201) and Adult Ed Funds (84 and 0008401).

APPENDIX C

KDE Fixed Assets & GASB 34-General Ledger Verification Codes

The following grid details the corresponding Fixed Assets and General Ledger codes to be used for validation/verification purposes for monthly and year-end

CLASS/ SUB-CLASS	ACCT TYPE	BAL TYPE	ORG **	OBJ	CHARACTER DESCRIPTION	
10-110	B	A	80/8X	6201	Land	
10-110	B	A	80/8X	6202	Accumulated Depreciation - Land	
10-120	B	A	80/8X	6211	Land Improvements	
10-120	B	A	80/8X	6212	Accumulated Depreciation - Land Improvements	
20	B	A	80/8X	6221	Buildings and Building Improvements	
20	B	A	80/8X	6222	Accumulated Depreciation - Buildings	
30	B	A	80/8X	6231	Technology Equipment (KETS)	
30	B	A	80/8X	6232	Accumulated Depreciation - Technology	
40	B	A	80/8X	6241	Vehicles	
40	B	A	80/8X	6242	Accumulated Depreciation - Vehicles	
50	B	A	80/8X	6251	Machinery and Equipment	
50	B	A	80/8X	6252	Accumulated Depreciation - Machinery & Equipment	
60	B	A	80/8X	6261	Construction Work In Progress (OPTIONAL)	
60	B	A	80/8X	6262	Accumulated Depreciation - CWIP (OPTIONAL)	
10-130	B	A	80/8X	6271	Infrastructure	
10-130	B	A	80/8X	6272	Accumulated Depreciation - Infrastructure	
	B	U	80/8X	8710	Investment in Governmental Assets	
	B	U	80/8X	8711	Investment in Business Type Assets	
XXXX	E		888XXXX/0008X01	740	Depreciation Expense	
	R		880/8X0	1530	Gain/Loss on Sale of Assets	

** X corresponds to the Proprietary Fund of 81, 82 or 84 and XXXX corresponds to the Fixed Asset Department Code/Function